

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

September 29, 2021

Pippin Phase II, located between Atkinson Lane and Brewington Avenue in Watsonville, requested and is being recommended for a reservation of \$3,796,670 in annual federal tax credits to finance the new construction of 79 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 17 and Assembly District 30.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from HCD's Joe Serna, Jr. Farmworker Housing program.

Project Number CA-21-160

Project Name Pippin Phase II
Site Address: Between Atkinson Lane and Brewington Avenue
Watsonville, CA 95076
Census Tract: 1102.000 County: Santa Cruz

Tax Credit Amounts	Federal/Annual*	State/Total
Requested:	\$3,796,670	\$0
Recommended:	\$3,796,670	\$0

* Consolidated Appropriations Act, 2021 (CAA) Federal Credits

Applicant Information

Applicant: Mid-Peninsula San Carlos Corporation
Contact: Jan M. Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2900
Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s): MP Berry Farms LLC
General Partner Type: Nonprofit
Parent Company(ies): Mid-Peninsula San Carlos Corporation
Developer: MidPen Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): MidPen Property Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 80
No. & % of Tax Credit Units: 79 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (37 units - 46%)

Information

Set-Aside: N/A
Housing Type: Large Family
Average Targeted Affordability: 47.34%
Geographic Area: Central Coast Region
TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	20	25%
At or Below 50% AMI:	40	51%
At or Below 60% AMI:	19	24%

Unit Mix

32 1-Bedroom Units
24 2-Bedroom Units
24 3-BedroomUnits
80 Total Units

Unit Type & Number	2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
14 1 Bedroom	30%	\$745
3 2 Bedrooms	30%	\$894
3 3 Bedrooms	30%	\$1,033
13 1 Bedroom	50%	\$1,241
13 2 Bedrooms	50%	\$1,490
14 3 Bedrooms	50%	\$1,721
5 1 Bedroom	60%	\$1,489
7 2 Bedrooms	60%	\$1,788
7 3 Bedrooms	60%	\$2,065
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,347,026
Construction Costs	\$38,692,568
Rehabilitation Costs	\$0
Construction Contingency	\$2,244,930
Relocation	\$0
Architectural/Engineering	\$2,123,785
Const. Interest, Perm. Financing	\$3,498,679
Legal Fees	\$100,000
Reserves	\$966,918
Other Costs	\$3,803,251
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$56,977,157

Residential

Construction Cost Per Square Foot:	\$428
Per Unit Cost:	\$712,214
True Cash Per Unit Cost*:	\$712,214

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank	\$40,348,899	Union Bank Tranche A	\$3,574,000
HCD - Joe Serna, Jr. Loan	\$7,421,843	Union Bank Tranche B	\$8,838,000
County of Santa Cruz Loan	\$3,500,000	HCD - Joe Serna, Jr. Loan	\$7,421,843
Accrued Interest	\$389,461	County of Santa Cruz Loan	\$3,500,000
Deferred Costs	\$2,129,719	Accrued Interest	\$389,461
Tax Credit Equity	\$3,187,235	Tax Credit Equity	\$33,253,853
		TOTAL	\$56,977,157

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$32,450,169
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$42,185,220
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$3,796,670
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.87587

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Disaster Credit Tie Breaker Information

First:	No
Second:	Yes
Third:	\$39,242.07

Significant Information / Additional Conditions

Staff noted a per unit cost of \$712,214. The applicant noted this is due to traditionally higher cost of construction labor and building materials in the San Francisco Bay region, impact fees, County-required on-site and off-site mitigation and improvement work, requirements to pay prevailing wages, an HCD requirement to fund a transition reserve, and escalating construction-related insurance costs.

The applicant anticipates that the water service will be sub-metered and that the tenants will be billed separately for their water usage by a 3rd party company. Accordingly, the units' utility allowances include a component for water. The applicant is aware that sub-metering the water service and direct billing of the tenants by a 3rd party company must follow certain IRS rules in order to be in compliance. In conjunction with the IRS rules, prior to the issuance of the IRS 8609 forms TCAC will need to confirm that the water service and tenant billing have been implemented correctly. In addition, the TCAC Compliance Section will require specific information regarding the master water bill and each tenant's water usage and water bill when they inspect the project.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

The Local Reviewing Agency, County of Santa Cruz, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit station or public bus stop	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 3/4 mile of a public elementary school	2	2	2
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.